CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

VIRGINIA COMMERCE BANCORP, INC./VIRGINIA COMMERCE BANK

Point of Contact:	Wilmer Tinley	RSSD: (For Bank Holding Companies)	2856377
UST Sequence Number:	221	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	71,000,000	FDIC Certificate Number: (For Depository Institutions)	27249
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 12, 2008	City:	Arlington,
Date Repaid[1]:	N/A	State:	Virginia

[1] If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

Net loans in 2010 decreased by $60 million, representing a run-off pattern seen in 2009, which was characterized by sluggish economic conditions and the write-down of weak credit situations. In 2010, the Bank funded $212 million in new loans and renewed $634 million of matured loans.

X **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

During the period, the Bank continued to de-emphasize its ADC financing. Of the $212 million in new loans, $49 million were for 1-4 family mortgages, $32 million were for business C&I loans and $90 million were for commercial real estate loans.

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X **Increase securities purchased (ABS, MBS, etc.).**

As a result of the decline in loan balances, the Bank increased its security holdings by $63 million. These investments were, primarily, in U. S. Government Agency obligations. This increase provides a liquidity cushion for the Bank to more aggressively plan for loan growth in 2011.

☐ **Make other investments.**

X **Increase reserves for non-performing assets.**

Because of CPP funds, the Bank, in 2010, was able to maintain its reserves for loans losses, built up in 2009, at a level of $62 million while making a provision of $21 million.

☐ **Reduce borrowings.**

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X Increase charge-offs.

Because of the capital cushion provided by CPP funds in 2009, the Bank was able to absorb a provision charge of $81 million and to aggressively address weak loan situations. This translated, into a lower provision charge of $21 million in 2010.

☐ Purchase another financial institution or purchase assets from another financial institution.

X Held as non-leveraged increase to total capital.

As responded in 2009, the Bank has not leveraged the CPP funds, but has held them to maintain a well-capitalized regulatory rating.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

By receiving the CPP funds the Company was able to avoid increasing capital through a more expensive alternative, and/or selling branches and assets to increase regulatory capital ratios by shrinking the balance sheet. By not shrinking the balance sheet, the Company was able to retain a high level of core earnings to help mitigate the effect on capital from losses due to problem loan resolution. Most significantly, despite the lack of loan growth due primarily to de-emphasis of ADC loans, soft demand and significant run-off, the Bank avoided reducing credit availability to its customers and prospects.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The Company was able to continue to grow, although modestly, and continue to serve it's good borrowers and depositors. As noted above, without the CPP funds the Company would have probably had to shrink its balance sheet and curtail lending and not meet the needs of many of its customers. The CPP funds helped the Company to continue cleaning up its problem loan credits in 2010, while allowing it to continue tho serve its customers and to maintain a well-capitalized regulatory level.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.